FOIA Number: 2012-0769-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: Council on Environmental Quality

Series/Staff Member: Kathleen (Katie) McGinty

Subseries:

OA/ID Number: 2893

FolderID:

Folder Title:
CRP [Conservation Reserve Program] Funding

Stack:	Row:	Section:	Shelf:	Position:
S	61	5	11	3

CENTER FOR RESOURCE ECONOMICS
•1718 Connecticut Avenue, N.W., Suite 300, Washington, D.C. 20009•
Telephone (202) 667-6982 • Fax (202) 232-2592

Fax!

DATE:

TO: Pam McElwee

FAX #:

FROM: Ken Cook

PAGE(S) TO FOLLOW: 1

MESSAGE:

Please replace page 1 of fax w/ version that follows.

Ken

CENTER FOR RESOURCE ECONOMICS

•1718 Connecticut Avenue, N.W., Suite 300, Washington, D.C. 20009•
Telephone (202) 667-6982 • Fax (202) 232-2592

FAX!

February 9, 1993

TO: **Pam McElwee**

FROM: **Ken Cook**

SUBJECT: **Expanding the CRP**

Pages To Follow: 1

My overall point when we talked today was that it would be fine to continue the congressional (FY 93) moratorium on CRP expansion, and use the money instead for a package consisting of (1) Wetlands Reserve/Water Quality Incentives Program funding and (2) deficit reduction. Here are the arguments.

1. CRP has largely achieved its purpose. CRP enrollment is already at 36.5 million acres (as of FY 1992, no CRP appropriation for FY 1993 enrollments). At that level, the program has substantially achieved its primary conservation goal: erosion control on highly erodible land. At this stage, there are two main arguments for additional expansion.

(i). *It will transfer income to farmers.* True enough. But this argument is not very compelling in the immediate future, considering the huge increase in income transfer under other USDA farm programs in FY 93 (and perhaps in FY 94). If anything, we face the need to *control* costs for farm income transfers in FY 94 and beyond.

(ii). *It will help some farmers with conservation compliance problems.* Up until now, CRP enrollment has been an attractive option for some farmers who have highly erodible cropland, and who must meet "conservation compliance" (erosion control) requirements on such land by the end of 1994. The first line of counter-argument is that Congress itself discontinued funds for FY 93 enrollments, suggesting that conservation compliance is not an acutely compelling argument for CRP expansion. Secondly, the vast majority of farmers will be able to meet compliance requirements without the need for CRP.

2. Further CRP expansion is not a cost-effective way to deal with water quality problems. Since 1990, USDA has attempted to use CRP as a water quality program. There are two problems here. First, despite some eastward shift, most of the land enrolled since 1990 (as before) has been in the Great Plains (wheat and cotton country) where wind erosion–not water quality–is the main problem. Second, the 1990 Farm Bill stipulates (and environmentalists have insisted) that CRP should be used to deal with water quality problems *only* if it has been shown that the more cost-effective Water Quality Incentives Program won't do the job. The reason is simple: it is cheaper and more sustainable to provide incentives to farmers to change management practices than to rent all the problem lands for 10 years. (Sec. 1432 of the Farm Bill states: "Other croplands [than highly erodible croplands] may be eligible [for CRP] if the Secretary determines that they would contribute to the degradation of water quality if permitted to remain in agricultural production, <u>and that water quality objectives cannot be achieved under the Agricultural Water Quality Protection [Incentives] Program.</u>") Emphasis added.

3. Increased funding for the Wetlands Reserve Program (WRP) and Water Quality Incentives Program (WQIP) is a much higher priority than additional CRP investment. Agricultural wetlands conservation and water pollution control pose much greater environmental and political risks than erosion control on the Great Plains. This is particularly true in the face of the Clean Water Act reauthorization. The WRP pilot program (50,000 acres) appears to be a spectacular conservation and political success–a genuine win-win program for farmers and the environment. Yet it is dead for FY 93 (barring a supplemental), and it will be impossible to find new money to boost WRP in FY 94. Ditto for the WQIP. These two programs are top priorities for environmentalists in the FY 94 agriculture appropriations bill.

4. A package emphasizing WRP/WQIP funding plus deficit reduction could be readily fashioned from the USDA conservation budget and would be an environmental and political home run. Through a thoughtful redirection of other conservation programs (ACP at $190 M, Water Bank at $19 M, etc.) and a continuation of the congressional freeze on CRP sign-ups, the Administration could easily develop a very significant wetlands-water quality initiative <u>and</u> find a significant budget savings. Redirecting two-thirds of the CRP funding to WRP/WQIP and devoting the remaining third to deficit reduction seems a good place to start.

If you would like more details on any of these points, please let me know. If I'm not in, ask for Wendy Hoffman.

matter of priorities
deficit reductions -
large acreage enrolled
so far. Enrolling more
serious problems 36 m
program. Late 80s - 10-15
a year some years - wasn't
causing problems - showed
$ to farmers. Now diff.
story. Could restore
wetland reserve program -
Chesapeake Bay - rent land
instead paying $115 -
pay $15 to do nutrient
management plan.

trade offs in Cons.
budget. Investment pkg.
ag. cons., H_2O bank,
Co Salinity program.
Think strategically about
inv. - do high profile -
don't need a lot of of
new. Dial s

1/2 wetland -
200 mill defi reduction

piss off cotton guys/
wheat land.

wetlands to restore -
Cheasapeake Bay. Reinvest
in conservation program.
Congress never came
thru - C/G

February 8, 1993
12:38pm

ENTITLEMENT PROGRAM SAVINGS

Energy: PMA Debt Repayment Reform Receipts/PMA Market Incentives for Conservation

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
PMA Straight Line Amortization.........	-278	-297	-298	-292	-290	-1,165	-1,455
PMA Market Incentives for Conservation*....	-41	-89	-167	-223	-253	-520	-773
Total................	-319	-386	-465	-515	-543	-1,685	-2,228

This option reforms PMA debt repayment to increase Federal receipts by requiring straight-line amortization of project debt. It also increases energy conservation and decreases environmental impacts by creating strong market incentives for PMA wholesale customers to reduce electric use through demand reduction and switching to natural gas. The proposal allows PMA customers to resell any power they conserve, and share the profit with the Federal Treasury. Currently, PMAs prohibit the resale of power. Winners are: PMA customers, the environment, gas industry, taxpayers and those who purchase the power from PMA customers. Potential negative impacts: slightly higher electric rates (may be offset) by increased conservation sales revenues), straight-line amortization alone will result in less than 5% rate increase.

Agriculture: Conservation Reserve Program (CRP) - No New Acres

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-12	-38	-103	-178	-165	-331	-496

Estimated FY 1993 CRP outlays are $1.8 billion. Since FY 1985, 36.5 million acres of marginal agricultural land have been enrolled in the CRP. Acres are competitively bid into the 10 year program during which time the land is taken out of production and the producer is compensated by rental payments from USDA. Under the 1990 Farm Bill at least 39 million acres must be enrolled in the program by FY 1996. The 1985 Farm Bill had a similar target that was not met by FY 1990.

No additional acres would be enrolled in the CRP. The worst acres from a conservation standpoint have already been enrolled in the CRP. There is little need for an expanded CRP. This "new contracts only" option would avoid the legal problems of a proposal that would require USDA to stop making payments on already-enrolled CRP acres.

Army Corps of Engineers: Phase-in Increased Inland Waterway User Fees

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-35	-115	-210	-325	-460	-685	-1,145

The current tax will generate approximately $78 million in 1993. This proposal would increase the FY 1994 Federal inland waterway fuel tax from 19 cents to $1.19 per gallon in a series of increasing steps -- $.10/gal the first year, $.25/gal the second, and so forth to a total increase of $1.00 in 1998. It would be used to cover the Corps of Engineers operation and maintenance (O&M) costs on the applicable segments of the 11,000-mile taxable inland waterway system.

Agriculture/Interior: Increase Grazing Fees

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
Agriculture.............	-2	-5	-8	-13	-19	-28	-47
Interior................	-4	-8	-14	-22	-32	-48	-80

Collections in FY 1993 are estimated to total $35 million. This proposal would increase the FY 1992 grazing fee of $1.92 per animal unit month annually by 33 percent until the fair market value of public land and National Grassland grazing in the 17 Western states is reached. It would phase-in the fee increase to be sensitive to public land dependent ranchers. Environmental interests and non-public land ranchers will support the elimination of "subsidized grazing".

Interior: Implement a Federal Irrigation Water Surcharge

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-10	-10	-10	-15	-15	-45	-60

Interior's Bureau of Reclamation estimates that it will collect about $110 million in FY 1993 from the sale of water and repayment (without interest) of the capital cost of irrigation project investments. The option proposes a per/acre-foot surcharge on water sales to Reclamation projects throughout the West except for the Central Valley Project (CVP) for which a surcharge was recently enacted. The surcharge would go into a special fund for use in mitigating irrigation-caused fish and wildlife or non-point source pollution problems. A surcharge (subject to appropriations) would also encourage more rational water use that would reduce the harmful impacts of non-point source pollution.

Interior/Agriculture/Corps of Engineers: Recreation Fees

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
Corps of Engineers......	-20	-20	-20	-20	-20	-80	-100
Interior................	-29	-30	-31	-32	-34	-122	-156
Agriculture.............	-11	-12	-13	-15	-15	-51	-66

Collections in 1993 are estimated to total $135 million. This proposal expands Federal agency authorities to charge new recreation fees and increase existing fees for Federal facilities providing public recreation. The receipts would (subject to appropriations) be used to offset operations and maintenance costs of facilities at recreation areas.

Interior: Permanently Extend Hardrock Mining Holding Fees

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-80	-80	-80	-80	-80	-320	-400

This holding fee was first enacted in FY 1993 on a one-year basis (offsetting receipts of $80 million). A $100 per claim annual holding fee would be permanently substituted for otherwise required FY 1994 annual claim development work to maintain the claim. Hardrock minerals include: gold, silver, lead, copper, and zinc.

Interior: Institute Hardrock Mining Royalties

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	-75	-155	-235	-295	-465	-760

No royalty authorized currently. Change an 8% royalty on gross production value from all hardrock (gold, silver, copper) mining claims on Federal lands. Royalty is phased-in over four years at 2% per year until 8% is reached. First collections would occur in 1995. Program will be controversial and complex to establish. One year will likely be needed to prepare regulations.

Interior/Agriculture: Permanently Extend 50 Percent Net Receipt Sharing (On-shore Minerals)

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-40	-42	-43	-45	-47	-170	-217

Collections in 1993 are estimated to total $38 million. This option would continue and make permanent the reduction from gross receipts equal to fifty percent of the Federal administrative costs incurred in generating the receipts from Federal lands prior to distribution to States and the Federal Treasury. This action has been enacted by Congress over the last three years in the Interior Appropriations bill. Included are Interior and Agriculture programs for on-shore oil, gas, and other minerals.

Corps of Engineers: Improve Enforcement of Harbor Maintenance Fee Collection

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-10	-25	-65	-65	-65	-165	-230

Collections under the current system will total about $483 million in FY 1993. Legislation would be introduced to allow Treasury's Custom Service to receive $5M per year from the existing Harbor Maintenance Trust Fund to finance enhanced enforcement of fee collections from exporters and domestic shippers. Subject to appropriation, receipts are used to offset the cost of maintaining harbors. Figures above reflect increased receipts less $5M per year in administrative costs. Handled same as IRS enforcement in OBRA. If enacted, the domestic cap is adjusted and receipts are scored as entitlement savings. NOT PAYGO.

Agriculture: Eliminate the Morrill-Nelson Permanent Appropriation (Cooperative State Research Service (CSRS) program)

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-3	-3	-3	-3	-3	-12	-15

FY 1993 program level is $3 million. The funding level has remained at the $50,000 level for each State and territory since 1912 for use at State and land-grant universities. The amount of funding per institution is so small by current day standards that the program has little impact on the quality of the higher education system. CSRS supports higher education at State and land-grant universities through other programs.

Agriculture: Eliminate Subsidies to Honey Producers (Commodity Credit Corporation, CCC)

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-12	-10	-6	-4	-3	-32	-35

FY 1993 outlays for the honey program are estimated to be $17 million. There is no further need for the program, which relies upon CCC nonrecourse loans and "loan deficiency payments" whereby the producer receives the difference between the loan rate and the market price (in lieu of a CCC loan) or repays loans at less than par value. Roughly 350 individuals get over 50 percent of payments. Most honey program recipients are in North and South Dakota and New Mexico.

Agriculture: Target CCC Subsidies to Farmers with Incomes Below $100,000

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-200	-250	-300	-300	-300	-1,050	-1,350

FY 1993 CCC outlays are estimated to be $17 billion. This option would make ineligible from receiving CCC crop subsidies any producer receiving $100,000 or above in adjusted gross income. This would direct farm payments to smaller family farms.

Agriculture: Further Limit CCC Income-Support Payments to Individual Farmers to a Maximum $50,000 Per Year

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-126	-262	-209	-213	-210	-810	-1,020

FY 1993 CCC outlays are estimated at $17 billion. This option would limit CCC income-support payments to $50,000 per individual, and it would directly attribute payments to specific individuals, rather than to payment entities. The complexity of the existing CCC payment limitation procedures has made it one of the single-most time consuming administrative activities for the USDA county offices, leading to waste and abuse. The proposal would affect less than 4 percent of producers.

Agriculture: Permanently Extend Market Promotion Program (MPP) at FY 1993 Level

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-52	-52	-52	-52	-52	-208	-260

FY 1993 MPP funding is $148 million. The MPP provides subsidies to commodity associations, cooperatives and private companies in order to promote the export of U.S. farm products. Because the program has a large and fixed funding level, USDA acts to ensure that all funds are used. Consequently, a number of controversial projects have been subsidized. Remaining funds would be targeted to companies with modest gross sales, and away from corporations like McDonald's.

Agriculture: Increase Non-Eligible Payment Acres (Triple Base) Starting in FY 1996

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	-310	-720	-720	-1,030	-1,750

CCC FY 1993 outlays are estimated to be $17 billion. This savings option would raise the percentage of "triple-base" acres from 15 percent to 25 percent in FY 1996. Under triple base (enacted in 1990 OBRA), 15 percent of a farm's crop acreage base is ineligible for CCC deficiency payments. The crop raised on the ineligible acres receives the market price, and the producer responds more directly to markets, rather than to CCC rules.

Agriculture: Eliminate the 0/92 and 50/92 (PAY/92) Programs Starting in FY 1996

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	-273	-664	-640	-937	-1,577

CCC FY 1993 outlays are estimated to be $17 billion. PAY/92 Programs (also called "0/92" and "50/92") are examples of USDA paying farmers not to produce. Elimination would increase overall production, thereby requiring higher unpaid set-aside acres under CCC's "acreage reduction program", but should also enable U.S. farm exports to increase.

Agriculture: Increase Assessments on "Non-Program" Federally-Subsidized Crops Starting in FY 1996

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	-450	-450	-450	-900	-1,350

FY 1993 CCC outlays are estimated to be $17 billion. Certain "non-program" crops (sugar, dairy, tobacco, honey, peanuts, soybeans, wool and mohair) receive USDA price-support loans, and benefit from USDA-imposed restrictions on production or imports. The laws affecting non-program crops cause consumers, rather than Federal taxpayers, to pay subsidies through higher market prices. This proposal would reduce subsidies on crops not affected by the "triple base" option above, preserving "shared sacrifice" across commodity groups.

Agriculture: Limit Payments on Wool & Mohair Price Support to $50,000 per Person

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-10	-68	-68	-66	-66	-212	-278

FY 1993 cost of the wool and mohair program is estimated to be $183 million. Price-support payments would be limited to $50,000 per producer, consistent with the proposed payment limitation on other CCC programs. Currently, the bulk of payments go to large ranchers in western states who raise lambs for meat. Proposal would affect less than one percent of producers.

Agriculture: Reform Crop Insurance Through Area-yield (Mandatory Savings)

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
Mandatory Savings........	---	-238	-246	-255	-264	-739	-1,003
Discretionary Cut........	-156	-161	-167	-173	-179	-657	-836
Total................	**-156**	**-399**	**-413**	**-428**	**-443**	**-1,396**	**-1,838**

FY 1993 crop insurance outlays are estimated to be $880 million (total discretionary and mandatory). This option would reform the FCIC crop insurance program to reduce the need for free disaster payments. "Area yield" would base crop insurance premiums and indemnifications on county yields rather than individual producer yields. Area-yield insurance should minimize adverse selection and fraud problems while providing catastrophic coverage. No single producer can influence the area's yield significantly. Federally paid administrative expenses are reduced because individual loss adjustments are not made.

Agriculture: Reform Commodity Disaster Payments

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-288	-288	-288	-288	-288	-1,152	-1,440

Current ten-year average for USDA commodity disaster payments is $900 million per year. (Disaster spending is not explicitly included in the baseline estimates.) Under the 1990 Farm Bill, a farmer must suffer a 35 percent loss (40 percent if the farmer has not purchased crop insurance, even though it was available) to be eligible for disaster payments.

This reform would increase the loss threshold to 40 percent (50 percent if the farmer has not purchased crop insurance, even though it was available) and would reduce average annual disaster payments by 32 percent.

Federal Deposit Insurance Corporation (FDIC) and Federal Reserve: Assess Examination Fees for State-chartered, FDIC-insured banks

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-404	-420	-437	-454	-471	-1,715	-2,186

State-chartered banks that are supervised (in part) by the FDIC and Federal Reserve could be charged to cover the cost of examining and supervising them (no such fees are being changed in 1993). This eliminates an incentive for banks and thrifts to shift from Federal to State charters in order to avoid OCC and OTS examination.

Examination fees would increase the FDIC's offsetting collections and indirectly increase Federal receipts to the Treasury and thereby reduce outlays. Examination fees would offset the FDIC's expenses to monitor the financial condition of Federally-insured banks. The FDIC's examination expenses are currently financed through deposit insurance premiums and the Federal Reserve's examination expenses are currently financed through earnings on Treasury securities holdings. Institutions supervised by the Office of Thrift Supervision (OTS), OCC, and National Credit Union Administration (NCUA) are assessed fees based on the size of the institution.

Commerce: Permanently Extend Patent & Trademark Fees

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	-111	-115	-120	-226	-346

These savings have been specified in law for the period 1991 - 1995. This option extends fee surcharges beyond 1995 (1996 - 1998) and builds in an annual increase equivalent to the Consumer Price Index (CPI). The option assures that the patent process continues to be fully fee funded.

HUD: Real Estate Mortgage Insurance Conduits (REMICs): On "New" GNMA Mortgage-Backed Securities.

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-30	-30	-30	-30	-30	-120	-150

The Government National Mortgage Association (GNMA) expects to guarantee $77.7 billion in securities in FY 1993, while collecting over $270 million in fees. Under this proposal, GNMA would guarantee prompt payment to all investors on a new product known as a Real Estate Mortgage Investment Conduit or REMIC. A GNMA guaranteed REMIC would increase the demand for GNMA securities by investors, which will drive up the price. GNMA will capture the additional funds generated by REMICs for deficit reduction.

HUD: Limit FHA Insurance on Closing Costs (Phase-in to 57%)

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-28	-66	-78	-81	-83	-253	-336

FHA Mutual Mortgage Insurance expects to guarantee over $57 billion in single-family mortgages in FY 1993, generating over $900 million in mandatory receipts. This proposal restores the 57 percent limit on closing costs a homebuyer can finance in a FHA insured single-family mortgage, phasing-in over two years. In 1994, borrowers could finance up to 80 percent of closing costs. The 57 percent limit would lower the size of a homeowner's mortgage relative to the value of the house. With the resulting greater effective equity interest, a homeowner is less likely to default. In 1995 and beyond, they would be limited to 57 percent. Borrowers would pay the remaining portion of closing costs in cash.

Commodity Futures Trading Corporation: Institute CFTC Procesing Fees (REVENUE)

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-55	-57	-60	-63	-66	-235	-301

Currently, no fee is charged on U.S. futures exchange transactions. A 14 cent fee on all U.S. futures exchange transactions would be charged to the exchanges. The fee revenues would more than offset the costs of the Commodity Futures Trading Commission (CFTC). Traders, brokers, hedgers, speculators, exchanges, and others who benefit from the regulation the Federal government provides (primarily through the CFTC) would help pay for it. The CFTC is the only Federal financial regulator that does not cover at least a portion of its costs with fees.

Securities and Exchange Commission: Increase SEC Registration Fees

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
	-44	-46	-48	-50	-52	-188	-240

In FY 1993 we project the Securities and Exchange Commission (SEC) registration fees will generate $190 million for the General Fund of the Treasury. The base fee stipulated in authorization language and deposited in the General Fund of the Treasury would be raised from 1/50th of one percent to 1/40th of one percent. The numbers shown above are additional Treasury receipts generated by this proposal.

Transportation: Coast Guard User Fees - Voluntary Recreational Boaters Decal/Charge for Rescue/Tonnage Duties

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
Voluntary Decal.......	-15	-15	-15	-15	-15	-60	-75
Search & Rescue Fee...	-15	-15	-15	-15	-15	-60	-75
Tonnage Duty..........	--	--	-67	-68	-70	-135	-205
Total............	-30	-30	-97	-98	-100	-255	-355

FY 1993 program level is zero for voluntary decal and search and rescue fees. Commercial and recreational mariners benefit from an extensive system of over 52,000 public aids to navigation and search and rescue services. The Coast Guard conducts over 50,000 search and rescue missions per year, 85% of which are for recreational / private boaters. These services are subsidized by the general taxpayer.

User fees are a widely accepted means of financing transportation programs (e.g., highways and aviation). There is little rationale for exempting water transportation.

Transportation (FAA): Initiate Airport Peak Period Pricing

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-92	-92	-92	-92	-92	-368	-460

FY 1993 program level is zero. Charge landing and takeoff fees at peak periods (as measured by delays exceeding 15 minutes) at airports experiencing delays due to capacity constraints. The purpose of the fee would be to accurately charge for a scarce resource.

Transportation: Increase Fees on General Aviation Aircraft

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
Registration fee..........	-18	-32	-45	-59	-62	-154	-216
Flight plan fee...........	-58	-71	-74	-79	-81	-281	-362
Total New Fees.........	**-76**	**-103**	**-119**	**-138**	**-143**	**-436**	**-579**

FY 1993 program level is less than $1 million. Increase or establish two general aviation fees, one for registering aircraft and one for filing flight plans. General aviation aircraft currently account for 26 percent of FAA's costs of operating the aviation system, but pay in fees only 7 percent of these costs. Airlines pay for all the costs they impose on FAA. As a result, taxpayers provide general aviation operators with an annual subsidy of approximately $2B.

Education: Reform of Student Loan Program*

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-69	-333	-652	-1,157	-1,391	-2,211	-3,602

* Estimates are preliminary.

Total FY 1993 outlays under the Federal Education Loan Program (formerly Guaranteed Student Loan Program) are estimated to be $4.98 billion. Total volume of new loans is estimated to be $18.02 billion. This proposal would replace all new lending in FY 1997 (schedule tentative). Private capital and banks as loan originators would be replaced with Federal capital and schools as loan originators. Phase-in would begin in FY 1994. Income-contingent repayment would be offered where appropriate. Proposal will be contentious, but had Democratic support in House and Senate in 1992.

Education: Federal Family Education Loan Program (FFELP): Require States to Share Default Costs (FFELP was formerly the Guaranteed Student Loan Program)

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-89	-136	-140	-146	-153	-511	-664

This proposal would require State sharing of default costs if the cohort default rate of borrowers who attended institutions in a State exceeds 20 percent. The proposal would provide an incentive for States to bar from eligibility institutions which have high default rates without good cause. Many of these schools do not offer students a valid education or training program. States would be authorized to charge schools in their State a fee based on the school's default rate.

Office of Personnel Management: FEHB: Medicare Rates over 65

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-12	-18	-21	-24	-27	-75	-102

Overall FY 1993 Federal Employee Health Benefits are estimated at $16 billion. This proposal would extend modified Medicare Part-B billing and payment limits (covering physician and non-hospital services) to the relatively small number of Federal annuitants age 65 and older who do not have Medicare coverage. Eliminate the disparity between the non-Medicare covered Federal annuitants age 65 and older and the vast majority of Americans in that age group who are covered by Medicare.

HHS: Survey and Certification User Fees

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-95	-95	-105	-115	-120	-410	-530

Total Medicaid FY 1993 outlays for survey and certification are projected to be $154 million. The proposal would save approximately 62% of projected Medicaid FY 1994-98 outlays for survey and certification. The remainder of the savings would be offset by increased Medicaid reimbursement rates to providers. The Federal government would impose user fees on Medicare and Medicaid facilities, including nursing homes and other providers, to finance the costs of survey and certification activities. User fees would allocate the costs of survey and certification across all who benefit from enhanced quality assurance, including private payers.

HHS: Third Party Liability (TPL)--Enhanced Identification of Other Health Coverage

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	-150	-250	-400	-450	-800	-1,250

This proposal removes many of the structural impediments hindering proper identification and billing of third party liability (TPL) by: (1) requiring employers to report employment based health coverage data annually on the W-2; (2) granting access to this data to all federally-assisted and financed health programs; and (3) reinforcing existing coordination of benefits (which payer pays and in what order) laws and regulations.

HHS: Reduce Hospital Outpatient Department Capital Payments by 10% - Permanently Extend

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	-110	-150	-170	-260	-430

In total, the FY 1993 Medicare Part B outlays were projected to be $59.8 billion. This proposal would save 0.5% of the FY 1994-98 outpatient services base. The proposal would extend current law beyond FY 1995. Hospitals receive payments for Medicare's share of capital expansions and improvements. The current payment level was reduced in OBRA 90 by 10%. Hospital capital expansion is beyond needed community levels. Medicare should continue to reduce its payments as an incentive to match community need with hospital expansion.

HHS: Permanently Extend 2% Annual Update of Clinical Laboratory Fees

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-30	-110	-220	-380	-570	-740	-1,310

In total, FY 1993 Medicare Part B outlays are projected to be $59.8 billion. This proposal would save 3.6% of projected FY 1994-98 outlays for laboratories under Part B. This proposal would extend the 2% update of Medicare rates for clinical laboratory services. OBRA 90 established a 2% update through the end of 1993, after which laboratory fees would be updated by the urban component of the Consumer Price Index (CPI-U), approximately 3.5% annually. Medicare payments to laboratories should more closely reflect decreased costs due to technological advances, such as increased automation, and changes in the market, such as lower cost equipment.

HHS: Reduce Hospital Inpatient Capital Payments by 10% - Permanently Extend

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	-300	-380	-420	-680	-1,100

In total, the FY 1993 Medicare Part A outlays are projected to be $90.2 billion. The proposal would save 0.2% of the FY 1994-98 hospital baseline. The proposal would extend current law beyond FY 1995. Hospitals receive payments for Medicare's share of capital expansions and improvements. The current payment level was reduced in OBRA 90 by 10%. Hospital capital expansion is beyond needed community levels. Medicare should continue to reduce its payments as an incentive to match community need with hospital expansion.

HHS: Permanently Extend Three Current Medicare Secondary Payor (MSP) Provisions

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
MSP for the disabled..........	---	---	-650	-960	-1,085	-1,610	-2,695
MSP for End Stage Renal Disease.....................	---	---	-35	-35	-35	-70	-105
IRS/SSA data match for MSP.....	---	---	-45	-120	-205	-165	-370
Total...................	---	---	-730	-1,115	-1,325	-1,845	-3,170

In total, Medicare outlays will be $149 billion in FY 1993. This proposal would save 0.3% of the FY 1994-98 Medicare baseline. Proposal extends three OBRA '90 Medicare Secondary Payor provisions due to expire at the end of FY 1995. Since savings from these current laws are already taking place, extending them will generate little opposition compared to new reductions.

HHS: Permanently Extend the OBRA '90 Reduction in Outpatient Reasonable Costs

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	-425	-525	-600	-950	-1,550

In total, the FY 1993 Medicare Part B baseline is projected to be $59.8 billion. This proposal would save 1.7% of the FY 1994-98 outpatient services base. OBRA '90 reduced Medicare reimbursement for hospital outpatient department (OPD) reasonable costs by 5.8% through 1995. This proposal would extend that provision indefinitely.

HHS: Maintain the 1995 Relationship Between SMI Premiums and Program Costs

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	-1,450	-4,340	-7,120	-5,790	-12,910

In total, FY 1993 Medicare Part B premium collections will be $14.5 billion. This proposal would increase Part B premium collections by about 13%. Beginning in January, 1996, the monthly Part B premium would be set to maintain the percentage of program costs covered by premium collections in the previous year, but no lower than 25% of program costs. Without implementing this proposal, the Federal share of program costs will rise from approximately 75% to 80% by 1998.

HHS: Pay Hospitals for Inpatient Services by Hospital-Based Physicians

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-110	-210	-230	-260	-290	-810	-1,100

In total, the FY 1993 Medicare Part B outlays is projected to be $59.8 billion. The proposal would save 0.43% of the FY 1994-98 physician baseline. Include payment for radiology, anesthesia, and pathology (RAP) services as an add-on to the hospital DRG payment. Separate billing by physicians for these services would not be allowed. Since hospitals select RAPs who will provides services, they are in a better position than either patients or insurers to negotiate payment rates with these hospital-based physicians. Competition would be introduced since hospitals could market their institutional and professional services based on their acceptance of Medicare allowable fees as payment in full.

HHS: Put Hospitals on Current Year Update

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-1,000	-1,140	-1,180	-1,290	-1,420	-4,610	-6,030

In total, the FY 1993 Medicare Part A outlays are projected to be $90.2 billion. The proposal would save 1.2% of the FY 1994-98 hospital baseline. Medicare payments to hospitals for inpatient care are updated October 1 of each year. Most other Medicare services are updated January 1 or July 1. This proposal would move the hospital update to January 1. Substantial lead time is needed by hospitals, HHS, and its Medicare contractors to implement changes in hospital payment legislated by Congress. Since 1983, there have been 17 rather than the expected 9 annual updates. Congressional delays, sequesters, and changes in statute have forced virtually all 6,000 hospitals, Medicare fiscal intermediaries, and HCFA to change their payment formulas almost twice as many times as would have been necessary under the January 1 update.

HHS: Immediately Lower IME Rate to 3.2%

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-2,130	-2,700	-2,970	-3,260	-3,570	-11,060	-14,630

In total, the FY 1993 Medicare Part A outlays are projected to be $90.2 billion. The proposal would save 2.9% of the FY 1994-98 hospital baseline. This proposal would reduce the indirect medical education (IME) adjustment for teaching hospitals from a 7.7% additional payment to 3.2% additional payment for each .1% increase in the intern and resident to bed ratio. Research has found that teaching hospitals are earning large margins on their Medicare payments, due principally to the IME adjustment. The adjustment overcompensates teaching hospitals for the costs of educating residents and treating a higher patient case mix.

HHS: Cap Physician Overhead Reimbursement at 100% of Work Component

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-490	-800	-1,020	-1,170	-1,290	-3,480	-4,770

In total, FY 1993 Medicare Part B outlays are projected to be $59.8 billion. The proposal would save 2.4% of the 1994-98 physician baseline. Payments to physicians for overhead expenses (the practice component) would be capped at 100% of the work component of the physician fee schedule. The recently implemented physician payment reform system divided payment into three distinct components -- for overhead, work, and malpractice expenses. The work component is based on an extensively-researched relative value system, developed in 1991. The practice component, however, was passed through from the old system, and therefore bears no relationship to the work component portion. This proposal would reduce the practice component in extreme instances -- when it exceeds the value of the work component.

HHS: Set Laboratory Rates at Market Levels

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-450	-850	-1,180	-1,570	-2,050	-4,050	-6,100

In total, FY 1993 Medicare Part B outlays are projected to be $59.8 billion. The proposal would save 17.7% of projected FY 1994-98 outlays for laboratories under Part B. The proposal would limit the Medicare Part B laboratory fee schedule to 76% of the median of all fees. The current maximum level is 88% of the median of all fees. Later, based on market surveys, the Secretary of HHS would adjust Medicare rates to laboratories to reflect technological changes and other factors. Medicare payments for lab tests are excessive.

HHS: Eliminate Return-on-Equity (ROE) Payments for Skilled Nursing Facilities (SNFs)

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-110	-140	-150	-160	-170	-560	-730

In total, the FY 1993 Medicare Part A outlays are projected to be $90.2 billion. The proposal would save 2.2% of the FY 1994-98 SNF baseline. The proposal would eliminate the Medicare payment policy that pays proprietary skilled nursing facilities (SNFs) a return on equity (ROE) invested in the SNF.

HHS: Set Durable Medical Equipment (DME) Rates at Market Levels

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-35	-100	-190	-240	-275	-565	-840

In total, FY 1993 Medicare Part B outlays were projected to be $59.8 billion. This proposal would save 4.3% of the FY 1994-98 baseline for DME, prosthetics and orthotics. The HHS Secretary would be authorized to set durable medical equipment (DME) fee schedule rates based on market factors. DME suppliers make greater profits on Medicare business than non-Medicare business, meaning that Medicare in effect subsidizes the private sector.

HHS: Intraocular Lens (IOLs)

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-25	-25	-25	-30	-30	-105	-135

In total, the FY 1993 Medicare Part B outlay were projected to be $59.8 billion. This proposal would save 0.1% of the FY 1994-98 outpatient services baseline. This CBO proposal would cut IOL rates to $100 for ambulatory surgical centers (ASCs) and would also reduce the blended rate for OPDs.

HHS: Reduce Payments for EPO

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-30	-40	-40	-50	-50	-160	-210

In total, the FY 1993 Medicare Part B outlays is projected to be $59.8 billion. The proposal would save .054% of the FY 1994-98 Part B baseline. The proposal would reduce the amount Medicare pays for epoietin (EPO) from $11 per 1,000 units to $10 per 1,000 units. EPO is the drug used by patients suffering from kidney failure, to counter anemia by increasing the body's production of red blood cells. Medicare is the dominant purchaser of this drug. Medicare is virtually the sole purchaser of EPO and should exercise its market power to attain the lowest possible cost while maintaining access for all Medicare beneficiaries.

HHS: Charge 30% Coinsurance on Part B Services for Individuals with Medigap Policies

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-1,140	-1,940	-2,280	-2,580	-2,920	-7,940	-10,860

In total, FY 1993 Medicare Part B outlays are projected to be $59.8 billion. The proposal would save 2.6% of the FY 1994-98 Part B baseline. The proposal would raise from 20% to 30% the coinsurance rate on Part B services for those enrollees with private supplemental insurance policies, also known as Medigap. Almost 70% of Medicare enrollees elect to own private supplemental insurance policies, which result in substantially increased utilization. Under this proposal, Medicare would be able to recapture some of the additional spending on the marginal services consumed by Medigap policyholders. The savings would result in lower monthly Part B premiums for all enrollees by reducing total Part B outlays. In addition, the general fund, which subsidizes 75% of Part B expenditures, would also reap savings.

HHS: Medicare Interactive Effects

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
+180	+360	+760	+1,200	+1,700	+2,500	+4,200

These amounts REDUCE total gross Medicare savings to reflect actuary-priced interactions of all proposals. The interactions include both interactions within the Medicare and the Federal Medicaid offsets.

HHS: Do Not Index Physicians Fees in Calendar Year 1994

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-600	-1,300	-1,600	-1,800	-2,000	-5,300	-7,300

In total, FY 1993 Medicare Part B outlays are projected to be $59.8 billion. This proposal would serve 2.8% of the physician co-payment of Part B Medicare baseline. The Medicare fee schedule would not be adjusted in calendar year 1994.

Social Security Administration: Impose a Fee for Federal Administration of SSI State Supplementation Payments

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-60	-120	-170	-190	-190	-540	-730

Charge states for the federal administration of their state supplement to the federal Supplemental Security Income (SSI) benefit. Currently, SSA administers supplements for 27 states and the District of Columbia. This proposal gradually phases in a 5% administrative fee over three years (1.67% in FY 1994, 3.33% in FY 1995 and 5.0% in FY 1996 and thereafter.) Since 1974, the federal government has administered state supplements for free. Each state bases its benefit on different criteria which make administration complicated and costly.

HHS: Strengthening Child Support Enforcement

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-27	-80	-112	-109	-177	-328	-505

This option would:

- -- Use the IRS to collect delinquent child support
- -- Require employees to report child support obligations on IRS W-4 forms
- -- Improve medical support enforcement
- -- Simplify and accelerate paternity processes
- -- Improve Federal Parent Locator Service
- -- Streamline Interstate child support enforcement

Apart from Federal savings on welfare benefits, increased child support collections will benefit the poor and the near poor. States should also save substantial portions of their share of welfare costs. Savings shown reflect only two provisions. Expected savings will be much larger.

HHS: Equate Administrative Matching Rates for Welfare Program

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-200	-480	-530	-580	-630	-1,790	-2,420

In FY 1993, administrative costs for AFDC, Medicaid, and food stamps totaled about $5.2 billion. This option eliminates the current differential Federal match rates for AFDC, Medicaid, and food stamps administrative costs. The consolidated match rate would be 50%.

A uniform administrative match will free State and Federal staff to manage benefit dollars. Now, States try to allocate costs from State to Federal programs, and to programs with the highest matching rates. Federal staff spend much of their time making sure States properly allocate administrative costs. A combined administrative grant has been supported by the National Governor's Association since it reduces the administrative burden of tracking and allocating costs.

Office of Personnel Management: Conform CSRS/FERS Child-Survivor Benefits Age to Social Security

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-5	-10	-15	-20	-25	-50	-75

FY 1993 child survivor benefits estimated to be $25 million. Conform the maximum entitlement age for CSRS/FERS (non-disability) child-survivor benefits to that of Social Security, i.e., reduce the maximum entitlement age from 22 to 18 except for children who are full-time students in a primary or secondary school who could receive benefits until age 19. Allow those currently receiving benefits to retain eligibility until age 22. Allow disabled children to continue to receive benefits indefinitely.

Would be consistent with 1981 Amendments to Social Security Act which reduced the maximum entitlement age for surviving children to 18.

Slight reduction in administrative costs as simple, across-the-board rules are applied to all non-disabled surviving children.

Office of Personnel Management: Base CSRS/FERS Survivor Annuities on Reduced Retiree Annuity

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-35	-70	-105	-140	-175	-350	-525

FY 1993 survivor benefits estimated to be $5 billion. Annuity of CSRS/FERS retirees are reduced if the retiree elects survivor benefits. The survivor benefits are some share (55 percent or less) of the unreduced annuity. This option would base survivor annuity on the reduced annuity. The amount of the annuity reduction does not cover the full cost of the survivor benefit.

Would reduce the government subsidy of survivor benefits. Would bring CSRS and FERS survivor benefits more in line with private-sector survivor benefits.

Social Security Administration: Include 85% rather than 50% of Social Security benefits in Modified Adjusted Gross Income for Federal Income Tax Purposes

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-2,700	-5,600	-6,200	-6,900	-7,700	-21,400	-29,100

Increases from 50% to 85% the amount of OASDI and RRB Tier I benefits included in taxable income and subject to income tax at the current thresholds of $25,000 for individuals/$32,000 couples. Under current law, all revenues from taxation of OASDI benefits are credited to the Social Security trust funds which are "off-budget" and would count as an "on budget outlay." Alternatively, the revenues could be retained in the General Fund. The proposal moves Social Security toward the taxation policy for pension benefits.

Defense: Military Retiree COLAs at CPI-2% - Under Age 62

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-212	-506	-812	-1,134	-1,471	-2,664	-4,135

Eliminate annual cost of living adjustments (COLAs) for military retirees under age 62.

Office of Personnel Management: Civilian Retiree COLAs at CPI-2% - Under Age 62

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-64	-153	-247	-348	-456	-812	-1,268

FY 1993 retirement outlays estimated to be $35 billion. Reduce annual cost of living adjustments (COLAs) to CPI-2% for five years for Federal retirees under age 62.

The proposal would make Federal pensions more equivalent to private sector pensions, which are not normally indexed to inflation.

Office of Personnel Management: End lump-sum benefit

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	-2,100	-3,032	-3,197	-5,132	-8,329

FY 1993 lump-sum payments estimated to be $150 million. This option would permanently eliminate the lump-sum retirement annuity for all employees effective October 1, 1995. Without such legislation, all employees retiring beginning October 1, 1995 could elect to receive a lump-sum benefit roughly equal to employee contributions in exchange for an actuarially-reduced monthly annuity for life).

Veterans Affairs: Reinstate Housing Loan Fees at 2%

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-153	-155	-155	-157	-165	-620	-785

FY 1993 budget authority level for the Home Loan Program is $625 million. Under this option, most loan fees would be raised by .75 percent. The proposal would reduce the Government subsidy for the VA mortgage guaranty program by increasing fees paid by veterans and reservists -- because fees can be financed over 30 years, the additional cost would not be significant to beneficiaries. Rejected by Congress in the FY 1993 Budget, veterans groups believe the fee increase may discourage participation among lower-income veterans.

Veterans Affairs: Permanently Extend Pensions-Medicaid Nursing Homes Provisions

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	---	---	-300	---	-300

FY 1993 BA level for pensions is $3.5 million. Would make permanent provisions that set a $90 monthly limit on pension benefits paid to any veteran or survivor without dependents receiving Medicaid coverage in a Medicaid-approved nursing home. This proposal would reduce VA "subsidy" to State Medicaid programs. Would increase Federal Medicaid costs (savings above are net of those costs). Has been enacted twice.

Veterans Affairs: Permanently Extend Verification of Income Through IRS for Pension and Medical Care Programs

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	---	---	-197	---	-197

FY 1993 BA levels: Pensions $3.5 billion; Medical care $14.6 billion. Would make permanent an OBRA 90 provision giving VA access to IRS tax data to verify income reported by VA pension and medical care beneficiaries. (VA's pension and medical care programs are means-tested.)

For pensions, the proposal would improve program integrity by reducing overpayments that occur when self-reported income is the only information used to verify eligibility. For medical care, the proposal would allow VA to more effectively identify and collect copayments from higher income veterans.

Has been enacted twice.

Veterans Affairs: Readjustment Benefits

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
Option 1 (GI Bill)......	-68	-83	-90	-98	-108	-339	-447
Option 2 (Voc Rehab)....	-7	-21	-32	-37	-43	-97	-140
Total...............	-75	-104	-122	-135	-151	-436	-587

FY 1993 BA for Readjustment Benefits is $814 million.

Option 1: In two steps over the last three years, Congress has increased monthly GI Bill benefits from $300 to $400 without increasing servicemembers' contributions to the program. The original program structure had a 9:1 (government:servicemembers) match. This proposal would increase prospectively servicemembers' contributions to restore the 9:1 ratio.

Option 2: Currently, all veterans with a service-connected (i.e. military related) disability rated greater than 10% are entitled to Vocational Rehabilitation services. Veterans rated 10% must have a "serious employment handicap" to qualify. This option would apply the same "serious employment handicap" criteria to veterans with a service-connected disability rating of 20%.

Both options rejected by Congress in FY 1992 and FY 1993 Budgets.

Veterans Affairs: Permanently Extend Medical Care Cost Recovery

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-46	-326	-391	-407	-425	-1,170	-1,595

FY 1993 medical receipts are $552 million. Would make permanent VA's authority to collect the cost of medical care from health insurers of veterans with service-connected (i.e., military related) disabilities when the care is provided for a non-service-connected condition. The proposal would hold private health insurance companies responsible for the costs of their beneficiaries' care -- veterans and/or veterans' employers have paid premiums to these insurers. Has been enacted twice.

Veterans Affairs: Permanently Extend Prescription charge/copayment

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	---	---	---	-42	---	-42

FY 1993 medical receipts are $552 million. Would make permanent VA's authority to collect from most veterans a $2 copayment for each 30-day supply of outpatient prescription drugs that is not related to treatment of a service-connected (i.e., military related) disability. Cost sharing encourages more appropriate utilization of prescription drugs (VA had reported that some veterans were "hoarding" drugs -- expensive for VA and potentially hazardous to a veteran's health). Has been eancted three times.

Veterans Affairs: VA Housing Downpayment Multiple Uses

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-17	-17	-17	-17	-17	-68	-85

FY 1993 BA for the Home Loan Program is $625 million. Would require a 2.5 percent fee and a 10 percent downpayment for multiple-use of the loan guaranty benefit. Currently, multiple-users are charged the same fee as first-time users, and are not required to make a downpayment. (Active duty military would be exempt from this proposal.) A 10 percent downpayment would reduce foreclosures by lowering loan-to-value (LTV) ratios. One of the most important determinants of defaults is lack of borrower equity (i.e., high LTV ratios). Veterans groups and Congress have opposed this because it would set precedent of requiring a down payment.

Veterans Affairs: Permanently Extend Resale Loan Loss Provisions

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-19	-20	-20	-21	-22	-80	-102

FY 1993 BA for the Home Loan Program is $625 million. This proposal would make permanent inclusion of expected losses on the resale of a foreclosed property in the formula to determine whether it is more cost-effective to: (1) acquire a foreclosed property from the lender and resell it or (2) pay the guarantee to the lender. The proposal would make property acquisition more cost-effective to the Federal Government. Was enacted for one-year in FY 1993.

Veterans Affairs: Insurance Admin Costs Paid From Excess Funds

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-25	-28	-29	-31	-32	-113	-145

FY 1993 BA level for Life Insurance administration is $24 million. Would pay administrative costs for three VA life insurance programs from the programs' excess revenues. Currently, administrative costs are paid through annual appropriations. The proposal would reduce taxpayer subsidy of programs that pay dividends to policyholders of over $1 billion per year. Would reduce average veteran's annual dividend by $10.

Customs Service: Permanently Extend Customs Merchandise and Passenger Processing Fees

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
Merchandise...........	---	---	-564	-579	-597	-1,143	-1,740
Passenger Fee:							
Collections.........	---	---	-226	-243	-261	-469	-730
Spending............	---	---	226	243	261	469	730
Net Effect............	---	---	-564	-579	-597	-1,143	-1,740

The FY 1993 level for these fees are:

-- Merchandise processing receipts = $521 million.
-- Passenger processing receipts and outlays = $182 million.

Extends these two fees that are set to expire in 1995. The Merchandise Processing (OBRA) Fee offsets the annually appropriated costs of Customs commercial operations. The Passenger Processing (COBRA) Fee pays for all Customs inspector overtime and preclearance activities.

Under current law, spending associated with the Passenger processing fee stops when the law expires. However, since the fee currently pays some inspector salaries and all inspector overtime, in practice the spending would continue.

Customs Service: Reform Customs Overtime/Restructure Passenger Processing Fee

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-18	-18	-18	-18	-18	-72	-90

FY 1993 estimated overtime expenditures = $103 million.

Overtime reform could save a total of $18 million/year: $16 million from fee expenditures and $2 million from appropriated funds.

Since current law requires that all fee revenue be spent for overtime and other inspection activities, capturing the savings from reform would require substantial changes to fee legislation.

Interior: Commonwealth of the Northern Mariana Islands (CNMI) Funding Agreement

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-6	-7	-8	-10	-12	-31	-43

Implement new funding agreement (current FY 1993 funding totals $28 million) between the Executive Branch and CNMI representatives. This agreement provides Federal funding for a third seven-year period (FYs 1994-2000). This agreement reduces Federal (DOI) funding over time, and requires that all such funding be devoted entirely to infrastructure projects.

Treasury: Shorten Maturity of Debt Securities

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
-300	-1,100	-1,600	-2,300	-3,100	-5,300	-8,400

To finance the deficit, Treasury issues debt securities with maturities ranging from 13 weeks to 30 years, with a substantial proportion in long-term maturities. This financing mix could be adjusted to have a smaller portion of long-term securities, thus lowering interest costs.

Federal Communications Commission: Auction FCC Spectrum

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
---	-374	-1,623	-2,083	-340	-4,080	-4,420

No impact in FY 1993. However, requires coordination of Commerce and FCC early in the process. The estimates above assume that: (a) legislation is enacted in 1993 to transfer 200 MHz of radio spectrum used by the Federal Government to the FCC for assignment to private firms; (b) the Department of Commerce will transfer 50 MHz of this spectrum on an expedited basis (within 6 to 9 months of enactment); and (c) the FCC reshuffles frequency assignments and assigns vacated frequencies using auctions. The proposal would improve current FCC licensing process by (a) ensuring that licenses go to users that value them the most, and (b) decreasing the Government's cost of assigning licenses.

Agriculture: Eliminate Below-Cost Timber Sales

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
Program reduction (Discretionary savings).....	-46	-59	-83	-86	-86	-274	-360
Reduction in Receipts (Mandatory effect).........	38	48	58	58	58	202	260
Net Savings...............	-8	-11	-25	-28	-28	-72	-100

Total timber sale administration costs in FY 1993 are $219 million; total FY 1993 timber sale receipts are $529 million. Phase-in elimination of all National Forest-level timber programs identified as below-cost by the Forest Service's Timber Sale Program Information Reporting System (TSPIRS). Using FY 1991 data, 66 national forests (there are about 120 national forests), mostly in the Rocky Mountain States, report timber-sale program costs that exceed revenue.

Offset to FTE and Other Administrative Savings

1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
+44	+141	+231	+286	+271	+701	+972

Discretionary savings from cuts in FTE and administrative expenses would be offset by the amounts shown. Offsets come from reduced agency retirement contributions (undistributed offsetting receipts), employee retirement contributions (governmental receipts), FEHB, and FEGLI contributions (offsetting collections).